

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
DAPHNE HUANG**

**FROM: DON HOWELL
DEPUTY ATTORNEY GENERAL**

DATE: MAY 27, 2015

**SUBJECT: AVISTA AND CLEARWATER PAPER'S PETITION TO AMEND THEIR
ELECTRIC SERVICE AGREEMENT, CASE NO. AVU-E-15-05**

On May 13, 2015, Avista Corporation and Clearwater Paper Corporation (collectively the "Parties") filed a Joint Petition requesting that the Commission approve an amendment to their Electric Service Agreement (Agreement) approved by the Commission in June 2013. See Order No. 32841. In their amendment dated May 4, 2015, the Parties agreed to make two modifications to their Agreement outlined in greater detail below. The Parties request that their Petition be processed under Modified Procedure and seek an effective date of August 1, 2015.¹

BACKGROUND

Clearwater operates a paper manufacturing facility located in Lewiston, Idaho. Clearwater owns and operates several generating units that are capable of generating approximately 132.2 megawatts (MW). Joint Petition at 2. Clearwater maintains that its four generating units are qualifying cogeneration facilities (QFs) under the Public Utility Regulatory Policies Act (PURPA). *Id.* Clearwater's plant is located in Avista's Idaho service territory. The current Agreement is a non-PURPA contract.

By its terms, the current Agreement terminates on June 30, 2018. Joint Petition at 2. The Agreement provides that Clearwater will utilize its own generating units to serve its load and that all electric power requirements in excess of the power generated by Clearwater "shall be purchased and received from Avista." *Id.* Avista serves Clearwater's additional power needs under Avista's Schedule 25P rates (Extra Large General Service).

¹ The Parties had initially asked for an effective date of July 1, 2015, but subsequently agreed to Staff's request to extend the proposed effective date to August 1, 2015.

FIRST AMENDMENT TO THE AGREEMENT

As noted above, the Parties have agreed upon two modifications to their Agreement. First, while Clearwater uses its own generation to meet some of its energy needs, “it has additional generating capacity that generally is not economical given current energy rates and wholesale market conditions. . . .” Joint Petition at 3. However, at certain times, the Parties contemplate that wholesale energy prices may increase to a level that would make Clearwater’s ability to produce additional capacity economical. During such periods, Avista may require additional generation “in order to meet its system load requirement, and in lieu of purchasing energy in a higher price wholesale market, would instead purchase from Clearwater such ‘Incremental Energy’ at a mutually agreed upon price.” *Id.* The rates for the purchase of such Incremental Energy is not set out in the amendment but will be “a mutually agreed upon price” at the time the Parties agree to sell/purchase the Incremental Energy. The Parties maintain that the ability to purchase incremental energy would benefit both Clearwater and Avista by providing a lower cost alternative to making market purchases.

Second, the Parties have agreed to extend the length of their existing Agreement by three years, to now terminate on June 30, 2021. Instead of continuing the existing Agreement on a year-to-year basis (see Section 2), the Parties maintain that the three-year extension allows them to plan for both generation by Clearwater and meeting customer demand by Avista.

STAFF RECOMMENDATION

Staff agrees with the Parties’ recommendation that this matter be processed under Modified Procedure. The Staff anticipates propounding some discovery. Consequently, Staff recommends that comments in this case be due no later than July 17, 2015, and reply comments due no later than July 22, 2015.

COMMISSION DECISION

1. Does the Commission find that it is reasonable to process this Petition seeking an amendment to the Parties’ contract via Modified Procedure?
2. Does the Commission find that the proposed comment schedule is reasonable?
3. Anything else?

Don Howell

Don Howell
Deputy Attorney General

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